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**State of Montana**

**FISCAL NOTE MANUAL**

Office of the Budget Director

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## FISCAL NOTE MANUAL

### INTRODUCTION:

This manual, prepared by the Office of the Budget Director, has as its purpose the task of informing Legislators and Administrative Agencies about "Fiscal Notes."

The fiscal note, a relatively new feature in state legislative procedures, was pioneered by the State of Wisconsin in 1955. Since that time, more than a dozen states have adopted the fiscal note. In 1965, the Thirty-ninth Legislative Assembly of the State of Montana added Montana to the growing list.

A fiscal note is simply a notation attached to all bills having an effect on the revenues, expenditures or fiscal liability of the state. The fiscal note, prepared upon request by the Office of the Budget Director in cooperation with all state agencies, provides the Legislature with the best estimates possible on the fiscal impact of the specific legislation proposed.



## STATUTORY PROVISIONS RELATIVE TO FISCAL NOTES

Chapter 53, 1965 Session Laws (Sections 43-1001 through 43-1006, R.C.M. 1947), specifies the procedures to be followed and outlines the coverage of the fiscal note for the State of Montana. The text of the Statute follows:

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF THE STATE OF MONTANA:

Section 1. (43-1001) All bills reported out of a committee of the legislative assembly having an effect on the revenues, expenditures or fiscal liability of the state, except appropriation measures carrying specific dollar amounts, shall include a fiscal note incorporating an estimate of such effect. Fiscal notes shall be requested by the presiding officer of either house, who shall determine the need for the note at the time of introduction.

Section 2. (43-1002) The state budget director, in cooperation with the agency or agencies affected by the bill, is responsible for the preparation of the fiscal note and shall return same within six (6) days.

Section 3. (43-1003) A completed fiscal note shall be submitted by the budget director to the presiding officer who requested it, who shall refer it to the committee considering the bill. If the bill is printed, the note shall be mimeographed and placed on the members' desks.

Section 4. (43-1004) Fiscal notes shall, where possible, show in dollar amounts the estimated increase or decrease in revenues or expenditures, costs which may be absorbed without additional funds, and long-range financial implications. No comment or opinion relative to merits of the bill shall be included; however, technical or mechanical defects may be noted.

Section 5. (43-1005) A fiscal note also may be requested on a bill by:

(1) A committee considering the bill, or

(2) A majority of the members of the house in which the bill is to be considered, at the time of second reading; providing, however, section 5 of this act shall not apply six (6) days before the close of transmittal of bills and/or shall not apply after the fifty-fourth day.

Section 6. (43-1006) The budget director shall make available on request to any member of the legislative assembly all background information used in developing a fiscal note.

# THEORY OF THE EARTH

BY  
J. H. VAN DIJK

LECTURE NOTES FOR THE COURSE OF THE UNIVERSITY OF ROTTERDAM

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## GENERAL PROCEDURE

### SCOPE:

Fiscal notes are required on all bills reported out of committee of the Legislative Assembly having an effect on the revenues, expenditures or fiscal liability of the state, except appropriation measures carrying specific dollar amounts.

### REQUESTS FOR FISCAL NOTES:

The presiding officer of either house may request a fiscal note if it is determined at the time of introduction that there is a need for such a note. The standing committee to which any bill requiring a fiscal note is referred should hold those bills until the fiscal notes have been prepared and submitted.

If the presiding officer of either house does not request a fiscal note on a bill or resolution having a fiscal impact, the committee considering the bill should notify the presiding officer, who would then request a fiscal note for the bill as originally introduced or amended.

A majority of the members of the house in which the bill is to be considered may request, through the presiding officer, a fiscal note at the time of the second reading.

Exception: Fiscal notes may not be requested by either a committee or a majority of the house members considering the bill six (6) days before the close of transmittal of bills (the forty-second day of the session) or after the fifty-fourth day of the session.

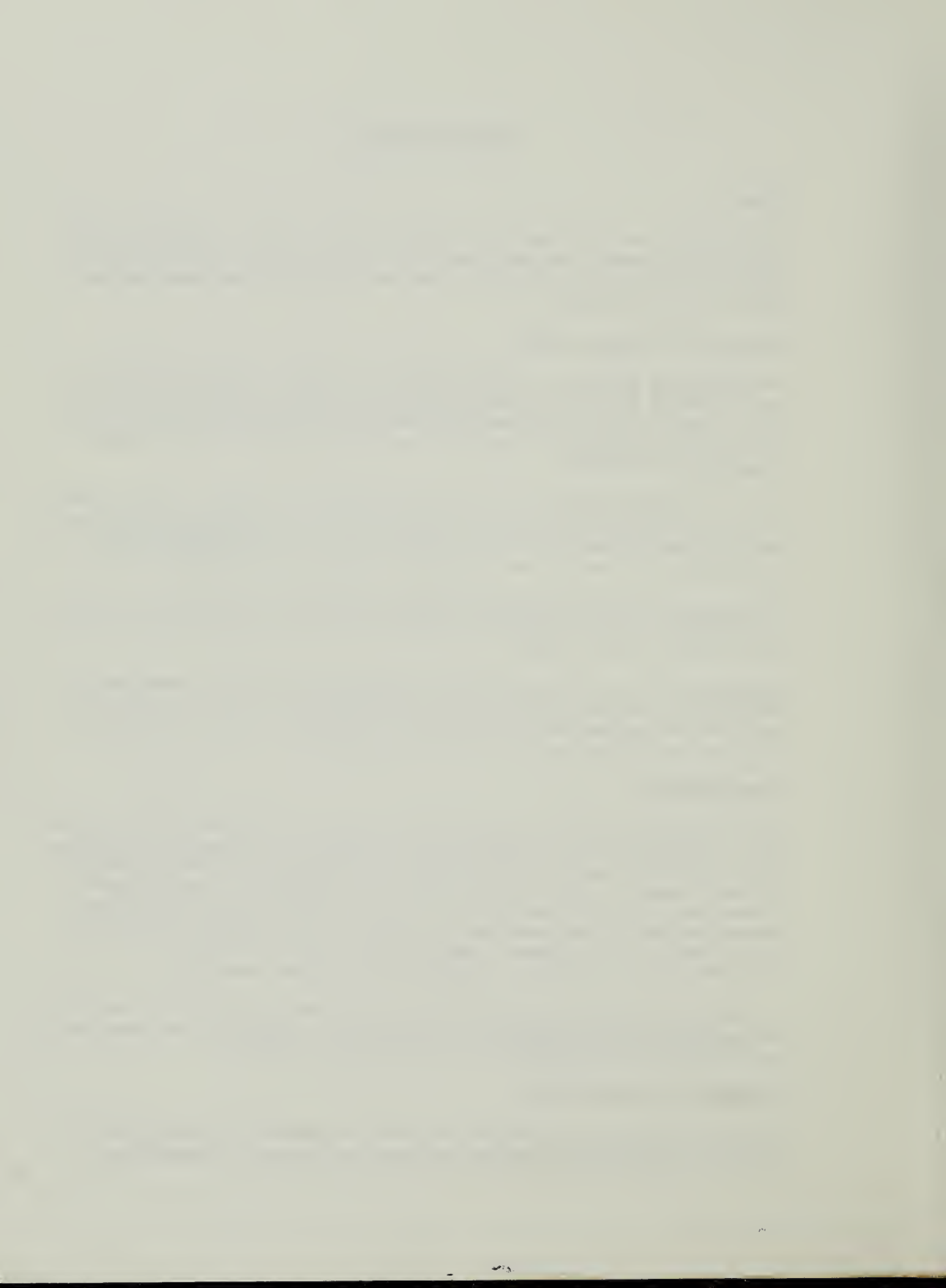
### ADMINISTRATION:

All requests for fiscal notes are to be made to the Director of the Budget. The Director of the Budget then determines the agency or agencies affected by the legislative measures and assigns these measures to the various agencies. The agency to whom the assignment is made prepares a fiscal note worksheet and returns it to the Budget Director by a pre-determined date. The worksheet as submitted is reviewed and analyzed by the Office of the Budget Director as it relates to the over-all fiscal condition of the state. Fiscal notes are then prepared.

A completed fiscal note is submitted by the Budget Director to the presiding officer who requested it. If the bill is printed, the note should be mimeographed and placed on the legislators' desks.

### CONTENTS OF FISCAL NOTES:

The fiscal note must be factual in nature and should cite the statutes affected, estimated increase or decrease in revenues or expenditures



for each of the next two fiscal years, costs which may be absorbed without additional funds, and so far as possible, the long-range financial implications. The long-range financial implications should attempt to estimate the costs of dollar effects for a period of five fiscal years after the effective date of the proposed measure. Estimates should be made in terms of dollars per fiscal year. If, after careful investigation and analysis, it is found impossible to arrive at a dollar estimate, the fiscal note should contain a statement setting forth precisely why dollar estimates cannot be provided.

Comments or opinions relative to merits of the bill are prohibited. However, technical or mechanical defects may be noted.

#### TIME LIMITS FOR NOTES:

A fiscal note must be prepared and submitted to the presiding officer who requested it within six (6) days from the date of the original request. State agencies assigned to work on a fiscal note request must return the fiscal note worksheet within three (3) days from and including the day of the assignment.



## ADMINISTRATIVE PROCEDURE

### PRESIDING OFFICERS

#### PREPARATION OF FISCAL NOTE REQUEST (FN-1-71):

Upon determination at time of introduction, by request of a committee or by assent of a majority of the members of the house in which the bill is being considered, the presiding officer may request a fiscal note. The fiscal note request form (FN-1-71) should be used in making the request.

Fiscal note request form (FN-1-71) should be prepared in duplicate (the original going to the Director of the Budget) and signed by the presiding officer. A copy of the bill requiring the fiscal note should be attached to the original request.

When fiscal notes are requested, the original bill cover should be marked with an appropriate symbol. This should be easily identified. When it is determined that a fiscal note which has been previously prepared is in need of revision because of amendments or other changes to the original bill, a revised fiscal note should be requested through appropriate channels.

A bill for which a fiscal note has been requested should not be considered for second reading unless a fiscal note is attached.

### STATE AGENCIES

#### PREPARATION OF FISCAL NOTE WORKSHEET (FN-2-71)

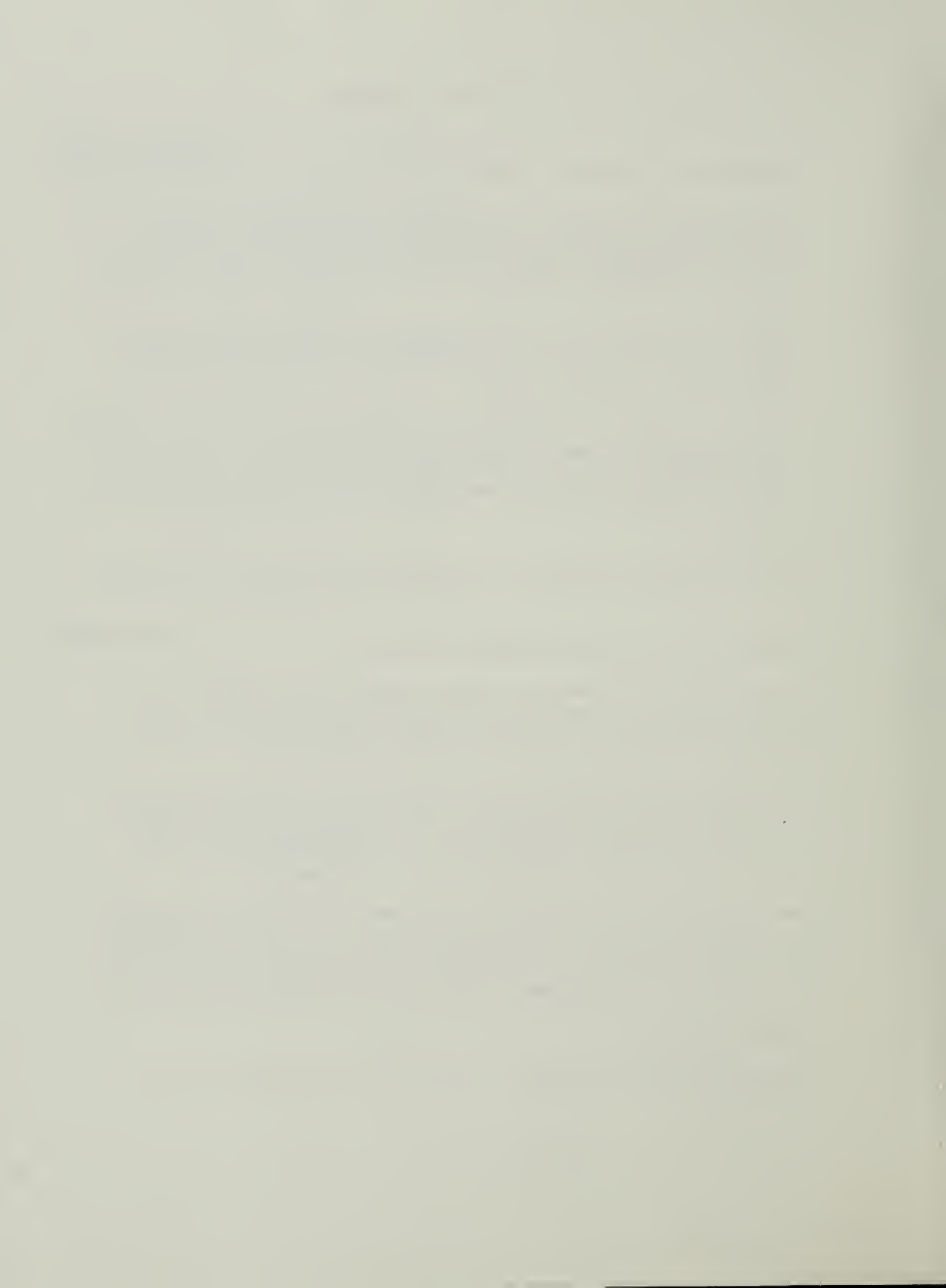
Upon receipt of the fiscal note request (FN-1-71), the Office of the Budget Director will analyze the request and assign, provided there is need, the question to the agency or agencies most likely to be concerned or to hold a knowledgeable answer to the question.

The agency assigned a fiscal note request will receive from the Office of the Budget Director the fiscal note worksheet (FN-2-71) and a copy of the bill. The agency will prepare in duplicate worksheet form (FN-2-71) and return the original with the accompanying bill within three (3) days from and including the day of assignment.

The fiscal note worksheet will not accompany the fiscal note submitted to the Legislature but will serve as a basis for review by the Office of the Budget Director. The original worksheet, signed by the agency head, shall remain on file in the Office of the Budget Director. Copies of the original will be made available to the Legislature upon request.

#### GENERAL INFORMATION:

Fill in all indicated blanks. If an item is not applicable, write "Not Applicable."



Estimates should be fully explained; but in the interest of brevity, these explanations should be made as concise as possible without eliminating essential information. If estimates are based upon assumptions, the assumptions must be clearly stated. Computation of estimates should also be shown on the worksheet form.

Estimates should be as completely objective as possible, even though the worksheets will not be transmitted directly to the Legislature. The preparing agency should be able to substantiate the estimates with underlying data and with worksheets upon request.

Where it is impossible to arrive at a dollar estimate, a statement to that effect should be included in the worksheet. Such statements must include the reason it is not possible to arrive at a dollar estimate.

Each fiscal note should be based upon the information contained in the proposal and must be factual, informative, and concise. The Fiscal Note Statute prohibits a discussion of the merits of the proposal. If, however, a technical defect is noted, a critique of that defect with suggestions for corrections or improvements to cure the defect should be provided.

Fiscal notes must be treated as confidential information. This information should not be the subject of conversation in an office except where discussions are necessary by the people directly concerned with the proposal and who have the responsibility for the preparation of the fiscal note.

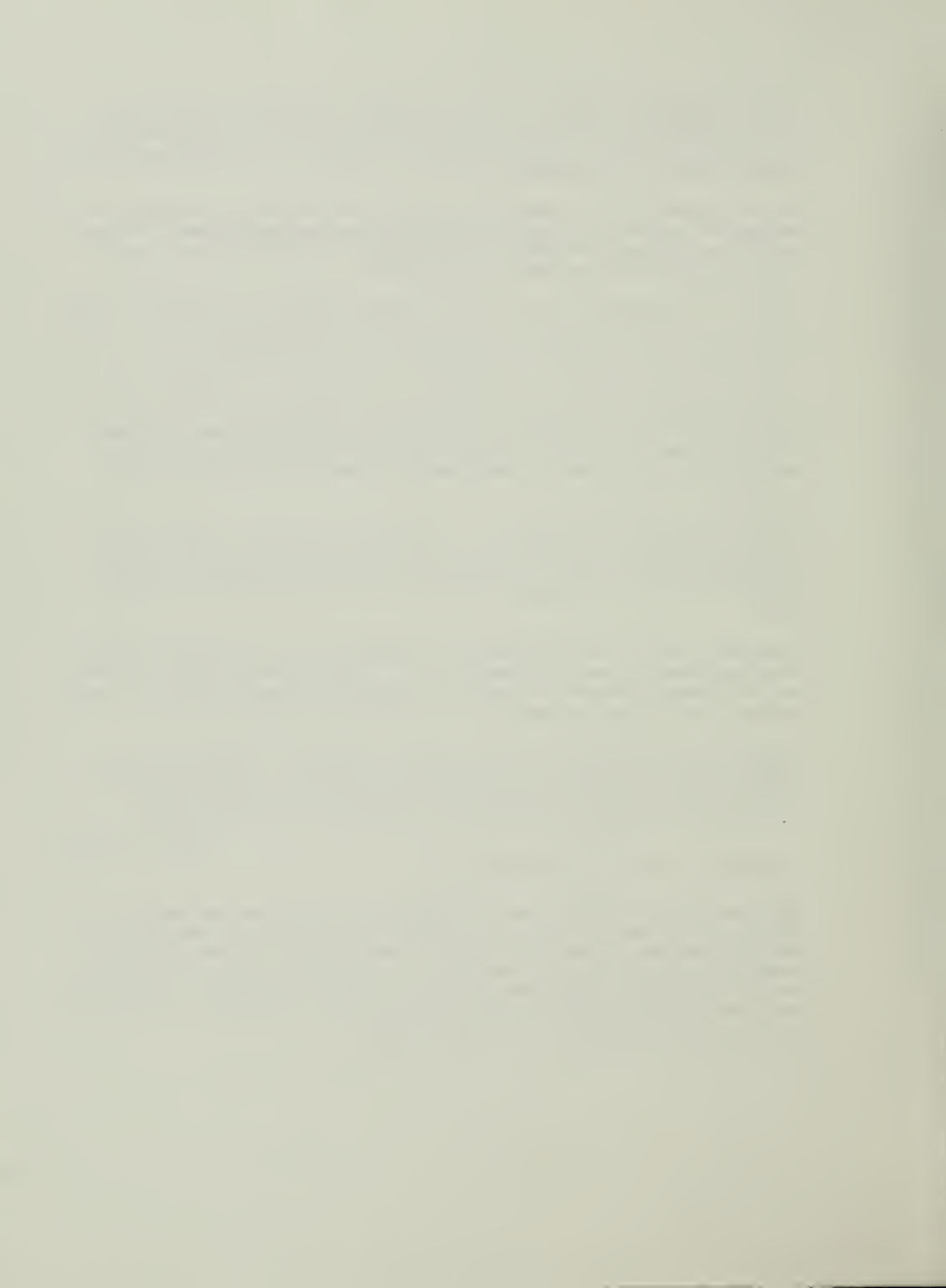
A complete file of all worksheets and supporting data on proposals which have been analyzed should be maintained. This information will be valuable for the agency's current use and will serve as a basis for making revised estimates on similar proposals in future legislative sessions.

Finally, if a proposal is vague in its intent and the resulting lack of clarity makes it difficult or impossible to prepare a fiscal note, the Office of the Budget Director should be contacted for clarification. This will facilitate rapid and comprehensive preparation of fiscal notes.

BUDGET DIRECTOR

#### PREPARATION OF THE FISCAL NOTE (FN-3-71):

Upon receipt of the fiscal note worksheet (FN-2-71) from the agency, the Office of the Budget Director will analyze the information received, compare and contrast it with the overall fiscal condition of the state, and prepare the fiscal note on form FN-3-71. This form, signed by the Director of the Budget, will be prepared in quintuplet (5 copies) - the original and three (3) copies going to the presiding officer requesting the fiscal note, one copy remaining in the Budget Office.





HYPOTHETICAL EXAMPLES OF FISCAL NOTES  
(For illustration purposes only)

FISCAL NOTE INCREASING THE REVENUES OF THE STATE:

"This proposal would increase the driver's license fee from \$2 to \$3, with approximately 125,000 licenses issued each year. This proposal would increase the state's revenue by approximately \$125,000. There would be no appreciable increase in the cost of administration."

FISCAL NOTE INCREASING THE COST OF STATE GOVERNMENT:

"This proposal would require that a copy of the Session Laws be furnished free to all members of the Bar Association. The Session Laws cost on the average of \$7.50 per volume. There are approximately 600 members of the Bar Association. Mailing charges and the costs of handling these copies in the Office of the Secretary of State are estimated at \$.50 per volume, for a total estimated cost of \$4,800 per each legislative session."

FISCAL NOTE INCREASING BOTH THE COST OF STATE GOVERNMENT AND THE REVENUES TO STATE GOVERNMENT:

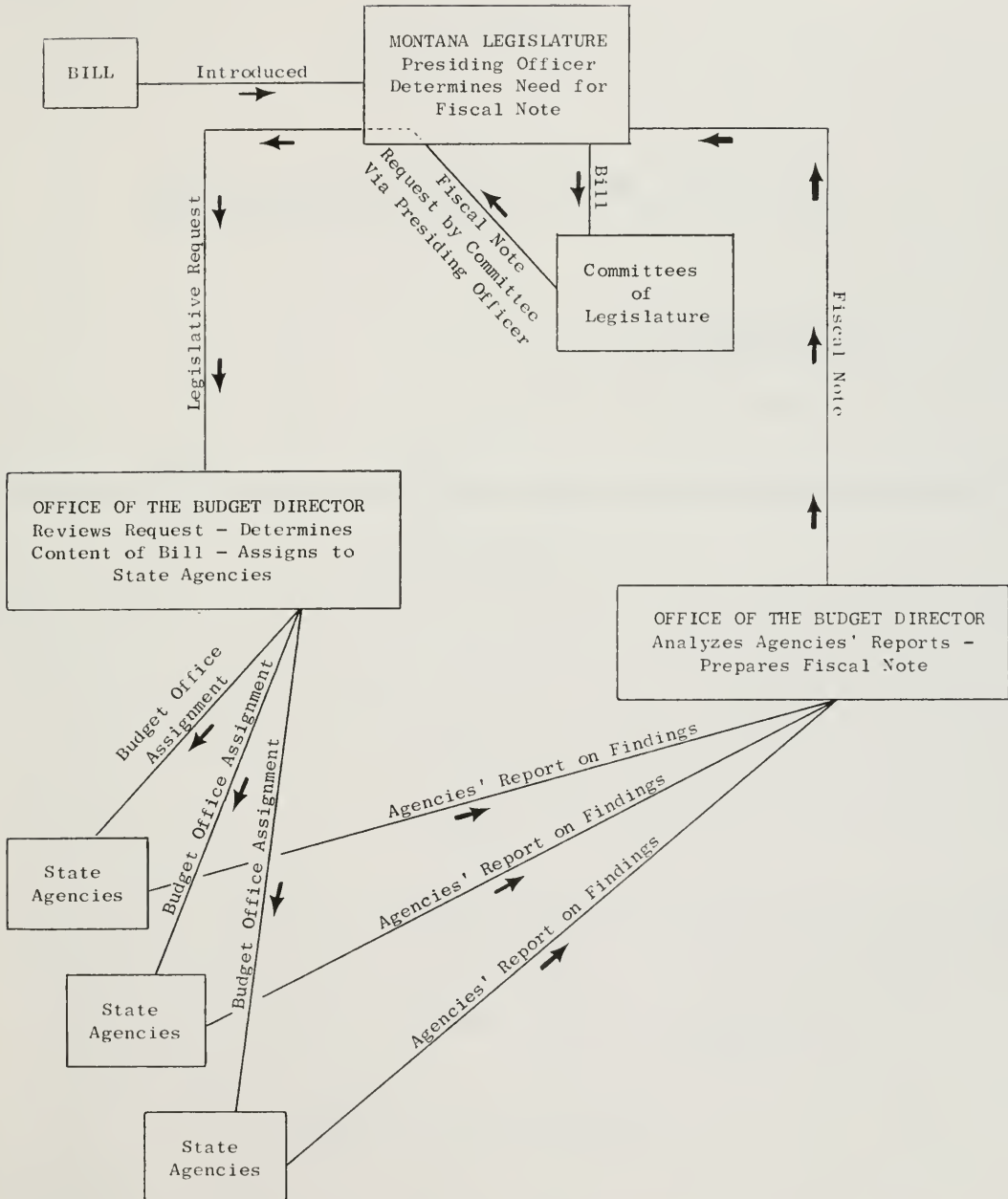
"This proposal would establish a system of licensing radio and television announcers. There are an estimated 130 announcers in Montana, each of whom would pay \$25 per year, or \$3,250. It is estimated that the total expense of the Board of Examiners to administer the licensing program would cost approximately \$2,400, with an additional initial capital outlay cost of approximately \$1,000 for equipping the agency office. Operation and maintenance expenses are estimated to cost \$25 per month during the first two years in which this proposal would be in effect. On a long-term basis, it is likely that there will be additional television and radio licenses granted by the FCC, which will bring the total up to approximately 160. Agency costs, however, will increase as clerical help is given in-step merit increases and other costs increase. The \$25 fee will be insufficient at the outset to meet all expenses including capital outlay. However, this fee will be adequate to meet current operating expenses, and it appears to be sufficient to meet rising costs and increased administrative activity."

FISCAL NOTE IN WHICH NO DOLLAR AMOUNT CAN BE ESTIMATED:

"This proposal would require the State Board of Equalization to establish and maintain a valuation on all tax-exempt real property. There is no method at this time by which the amount of such property can be evaluated. There is no true picture as to the volume of activity that will be required by this proposal. Consequently, it is impossible to arrive at dollar estimates. A survey of this subject conducted at the University of Montana, however, indicated that there was a substantial amount of tax-exempt property in several counties. These statistics, however, are not sufficiently representative upon which to base a conclusion for an over-all state estimate."



# FISCAL NOTE CHART





State of Montana  
REQUEST FOR FISCAL NOTE

Form FN-1-71  
(Prepare Original  
and one copy)

A Fiscal Note is requested for:

S.B. \_\_\_\_\_ Amended S.B. \_\_\_\_\_ S.J.R. \_\_\_\_\_

H.B. \_\_\_\_\_ Amended H.B. \_\_\_\_\_ H.J.R. \_\_\_\_\_

Attached is a copy of a Legislative proposal which appears to  
require a fiscal note as authorized under Chapter 53, Session  
Laws - 39th Legislative Assembly.

\_\_\_\_\_  
Presiding Officer

\_\_\_\_\_  
Date

FOR BUDGET OFFICE USE

Subject \_\_\_\_\_

Agency Affected \_\_\_\_\_

Received by Office of the Budget Director \_\_\_\_\_  
Date \_\_\_\_\_

REQUEST NO. \_\_\_\_\_



## FISCAL NOTE WORKSHEET

(Prepare Original  
and one copy)

REQUEST NO. \_\_\_\_\_

Authority: Chapter 53, Session Laws - 39th Legislative Assembly.

To \_\_\_\_\_ (Agency Representative) \_\_\_\_\_ (Agency or Unit) \_\_\_\_\_ (Date)

Assigned by \_\_\_\_\_ (Office of the Budget Director) \_\_\_\_\_ (Due Date)

A Fiscal Note Estimate and Statement are requested for:

S.B. \_\_\_\_\_ Amended S.B. \_\_\_\_\_ S.J.R. \_\_\_\_\_  
 H.B. \_\_\_\_\_ Amended H.B. \_\_\_\_\_ H.J.R. \_\_\_\_\_

1. Estimated Effect on Revenue and/or Expenditures	1971 Biennium		1973 Biennium		1971 Biennium		1973 Biennium	
	Increase (Decrease) 1970	Increase (Decrease) 1971	Increase (Decrease) 1972	Increase (Decrease) 1973	Increase (Decrease) 1970	Increase (Decrease) 1971	Increase (Decrease) 1972	Increase (Decrease) 1973
A. Effect on Revenue by Source: (List in Detail)								
Total Revenue								
B. Effect on Expenditures by Object:								
Personal Services								
Operation								
Capital								
Grants & Benefits								
Total Expenditures								
NET EFFECT (A Less B)								

(BUDGET OFFICE USE ONLY)





State of Montana

## FISCAL NOTE WORKSHEET

REQUEST NO. \_\_\_\_\_

(BUDGET OFFICE USE ONLY)

2. Costs that may be absorbed without additional funds.

3. Long-range effect.

4. Assumptions and/or qualifications.



## FISCAL NOTE WORKSHEET

REQUEST NO. \_\_\_\_\_

5. What are the sources for these estimates?  
(Show Calculations)

6. Suggested Fiscal Note.

7. If no dollar estimates can be made, give reasons.

(BUDGET OFFICE USE ONLY)

The above information is true and correct  
to the best of my knowledge.

Agency Representative \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

FOR BUDGET OFFICE USE:

Received \_\_\_\_\_

Verified \_\_\_\_\_

Fiscal Note Written  
by \_\_\_\_\_

Date \_\_\_\_\_



## FISCAL NOTE

REQUEST NO. \_\_\_\_\_

In compliance with a written request received \_\_\_\_\_ 19\_\_\_\_, there is hereby submitted a Fiscal Note for \_\_\_\_\_ pursuant to Chapter 53, Session Laws - 39th Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of the Budget Director to members of the Legislative Assembly upon request.

\_\_\_\_\_  
State Budget Director\_\_\_\_\_  
Date





